OKHAHLAMBA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Annual Financial Statements

for

OKHAHLAMBA LOCAL MUNICIPALITY

for the year ended 30 June:	**2013**
Province:	**KwaZulu Natal**
AFS rounding:	***R (i.e. only cents)***

Contact Information:

Name of Municipal Manager:	Mr S.D Sibande
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OKHAHLAMBA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council

Cllr. DT Sibeko	**Mayor**
Cllr. SZ Khumalo	**Deputy Mayor**
Cllr.G Ndaba	**Speaker**
Cllr. BH Zikode	Member of the Executive Committee
Cllr. MP Vilakazi	Member of the Executive Committee
Cllr BR Hlongwane	Member of the Executive Committee
Cllr. GM Ndaba	Member
Cllr. MC Zondo	Member
Cllr. MN Dubazana	Member
Cllr. MV Hlatshwayo	Member
Cllr. BE Nene	Member
Cllr. BL Ngwenya	Member
Cllr. KI Hadebe	Member
Cllr. TM Ndaba	Member
Cllr. K Simelane	Member
Cllr. PAM Mfuphi	Member
Cllr. BC Mabizela	Member
Cllr. SG Sikhakhane	Member
Cllr. NR Hlongwane	Member
Cllr. TA Ngwenya	Member
Cllr. NQ Dhladhla	Member (deceased in January 2013 - replaced by DS Ndaba)
Cllr. DS Ndaba	Member (appointed in April 2013 - replacing the late NQ Dhladhla)
Cllr. MB Dubazana	Member
Cllr. MS Ndaba	Member (deceased in March 2013 - replaced by ZZ Shange)
Cllr. ZZ Shange	Member (appointed in May 2013 - replacing the late MS Ndaba)
Cllr. MW Hadebe	Member
Cllr. WE Goulding	Member
Cllr. FE Buthelezi	Member
Cllr. KA Mazibuko	Member
Cllr. SC Hadebe	Member

Municipal Manager

Mr SD Sibande

Chief Financial Officer

Mr SB Ndabandaba

Grading of Local Authority

Grade 2

Auditors

Auditor-General

General information (continued)

Bankers

First National Bank

Registered Office:	259 Kingsway Road Bergville 3350
Physical address:	259 Kingsway Road Bergville 3350
Postal address:	**P.O.Box 71** Bergville 3350
Telephone number:	036 448 8000
Fax number:	036 448 1986
E-mail address:	siza.sibande@okhahlamba.org

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: Siza Sibande

30 August 2013

Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

	Note	2013 R	2012 R
NET ASSETS AND LIABILITIES			
Net assets		**136 736 379**	**85 500 601**
Accumulated surplus		136 736 379	85 500 601
Non-current liabilities		**9 389 314**	**4 604 701**
Retirement benefit obligation	3	1 630 048	573 653
Finance lease obligation	4	5 122 246	1 664 366
Provisions	5	2 637 020	2 357 232
Annuity loans	6	-	9 450
Current liabilities		**43 115 736**	**47 249 324**
Finance lease obligation	4	2 641 449	2 599 880
Operating lease liability	7	1 147 557	848 238
Unspent conditional grants and receipts	8	26 211 024	35 344 125
Trade and other payables from exchange transactions	9	13 115 706	8 457 081
Total Net Assets and Liabilities		**189 241 429**	**137 354 626**
ASSETS			
Non-current assets		**98 955 239**	**65 687 496**
Property, plant and equipment	11	98 813 153	65 602 959
Intangible assets	12	56 391	84 537
Non-current assets held for discontinued operations	13	85 695	-
Current assets		**90 286 190**	**71 667 130**
Consumer debtors	14	8 545 884	6 072 103
Other receivables from exchange transactions	15	125 714	30 903
Cash and cash equivalents	16	78 828 900	64 827 806
VAT receivable	10	2 785 692	736 318
Total Assets		**189 241 429**	**137 354 626**

OKHAHLAMBA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
REVENUE			
Rendering of services		128 932	135 244
Property rates	18	15 183 376	11 926 746
Service charges		354 502	500 419
Property rates - penalties imposed and collection charges		2 469 597	1 978 314
Rental of facilties and equipment		945 241	41 606
Income from agency services		613 590	508 495
Subsidies		2 011 701	1 267 963
Fines		151 484	212 650
Government grants	20	100 570 901	77 249 435
Other revenue	19	373 126	283 957
Donations received	11	62 052	-
Interest received	25	2 535 437	1 462 441
Total Revenue	17	**125 399 939**	**95 567 270**
EXPENDITURE			
Employee related costs	22	27 712 333	22 452 845
Remuneration of councillors	23	6 782 971	6 332 907
Depreciation and amortisation	26	4 160 820	4 478 163
Finance costs	27	2 831 912	678 930
Debt impairment	24	3 437 307	4 886 442
Repairs and maintenance		1 998 751	1 599 988
Retirement benefits	3	1 163 405	49 172
Landfill Rehabilitation	5	279 788	250 916
General expenses	21	23 691 890	18 531 539
Total Expenditure		**72 059 177**	**59 260 902**
Operating Surplus for the year		**53 340 762**	**36 306 368**
Loss on disposal of assets		(1 095 568)	**-**
Impairment of assets	11	(1 115 168)	(1 867 723)
NET SURPLUS FOR THE YEAR		**51 130 026**	**34 438 645**

	Note	Accumulated Surplus R
Balance at 30 June 2011 - as previously reported		50 205 945
Prior year adjustment	2.2	732 890
Gain on fair valuing assets		123 121
Surplus for the year - restated	2.5	34 438 645
Restated Balance at 30 June 2012	2.2	**85 500 601**
Correction of processing error		105 752
Surplus/ (deficit) for the year		51 130 026
Balance at 30 June 2013		**136 736 379**

	Note	2013 R	2012 R
Cash receipts from ratepayers, government and other		149 013 474	102 932 394
Cash paid to suppliers and employees		(97 678 678)	(52 671 543)
Cash generated from operations	29	**51 334 796**	**50 260 966**
Interest received		2 535 437	1 462 441
Donations received		62 052	-
Finance costs		(2 831 912)	(678 930)
Net cash flows from operating activities		**51 100 373**	**51 044 477**
Cash flows from investing activities			
Purchase of property, plant and equipment		(40 631 964)	(19 244 814)
Purchase of intangibles		-	-
Net cashflow from investing activities		**(40 631 964)**	**(19 244 814)**
Cash flows from financing activities			
Movement in annuity loans		(9 450)	-
New loans raised/ (Repaid)		3 542 135	(1 594 028)
Net cash flows from financing activities		**3 532 685**	**(1 594 028)**
Net increase in cash equivalents		14 001 094	30 205 635
Cash and cash equivalents at the beginning of the year		64 827 806	34 622 171
Cash and cash equivalents at the end of the year	15	**78 828 900**	**64 827 806**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009 and May 2010, respectively, as amended.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 8.2 on *Revenue from Exchange Transactions* and Accounting Policy 8.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: Revenue from Non-exchange Transactions. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 5.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 2.3 and 3, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.4 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.2.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 11.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 3 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in Note 22.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 New standards and interpretations

1.6.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements. There is no material impact on the municipality's financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

The municipality presents a comparison of the budget amounts and actual amounts as a separate additional financial statement in the financial statements currently presented in accordance with Standards of GRAP.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements, but results in more disclosure in the financial statements.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined by the municipality using the depreciated replacement cost approach.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss which is recognised immediately in surplus or deficit. The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, The Municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by a municipality with the objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The effective date of the standard is for years beginning on or after 01 April 2012. The standard is not relevant to the Municipality as it has no cash-generating assets as defined in the GRAP 26 standard.

GRAP 103: Heritage Assets

Heritage assets are those assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

GRAP 104: Financial Instruments

The Standard of GRAP prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

1.6.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 25: Employee Benefits

The objective of this standard is to prescribe the accounting and disclosure for employee benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 27: Agriculture

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The standard is not relevant to the municipality.

GRAP 31: Intangible Assets

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

There is no impact of the standard on adoption.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

For the year under review, the municipality has applied IPSAS 20.

GRAP 16: Intangible Assets - Website Costs

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Improvements to Standards of GRAP

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:

- GRAP 1;
- GRAP 3;
- GRAP 7;
- GRAP 9;
- GRAP 12;
- GRAP 13;
- GRAP 16; and
- GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

1.6.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future

economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Details	**Years**
Infrastructure	
Roads - Gravel	3 - 10
Roads - Tar	10 – 50
Paving	5 - 30
Solid Waste Disposal	10 – 50
Community assets	5 – 20
Plant and Machinery	3 – 15
Office equipment	3 – 10
Motor vehicles	5
IT equipment	5 – 10
Leased assets	3 – 5
Buildings	30

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2.4 Capital Work in Progress

Capital work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

2.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

2.7 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

2.8 Impairment of Non-cash Generating Assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

3. INTANGIBLE ASSETS

3.1 Initial Recognition

Identifiable non–monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

3.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

3.3. Derecognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

4. INVESTMENT PROPERTY

4.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc. and ;
- Property held for strategic purposes or service delivery.

4.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is

based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised..

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

5. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

5.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments
- Consumer debtors
- Other receivables from exchange transactions
- Cash and Cash equivalents
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset

Investments

Consumer debtors

Other receivables from exchange transactions

Cash and cash equivalents

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

5.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Finance lease obligation
- Operating lease liability
- Trade and other payables from exchange transactions

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

5.3 Initial and Subsequent Measurement

5.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

5.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

5.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

6.1 Credit Risk

- Each class of financial assets is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial assets covered by collateral are specified.

6.2 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

6.3 Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

6.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

7. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

7.1 Non-current assets held for sale

7.1.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

7.1.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7.2 Discontinued operations

A discontinued operation is a component of the municipality that either has been disposed of or is classified as held for sale and:

(a) represents a distinguishable activity, group of activities or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or

(c) is a controlled entity acquired exclusively with a view to resale.

Discontinued operations are presented separately from continuing operations in the annual financial statements.

8. REVENUE RECOGNITION

8.1 General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8.2 Revenue from Exchange Transactions

8.2.1 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

8.2.2 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

8.2.3 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

8.3 Revenue from Non-exchange Transactions

8.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

8.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

8.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11. EMPLOYEE BENEFITS

11.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

11.3 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

11.4 Defined Benefit Plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

11.4.1 Pension obligations

The Municipality and its employees contribute to the Natal Joint Municipal Pension Fund and the Government Employees Pension Fund. The Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund is a defined contribution fund. The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

11.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

11.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

12. LEASES

12.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

14. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

15. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

20. RELATED PARTIES

Individuals, including councilors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

22. COMPARATIVE INFORMATION

22.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

Actual operating expenditure versus budgeted operating expenditure

Description	2012/13 Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Explanation of significant Variances greater than 10% versus Final Budget
	R	R	R	R	R	R	%	
Financial Performance								
Revenue						-		
Property rates	21 121 033	5 391 584	26 512 617	17 652 973		(8 859 644)	-33%	The actual figure is net of rebates, the budget amount does not have rebates deducted.
Agency services	256 250	-	256 250	613 590		357 340	139%	8.55% agency fees due to the municipallity attributable to an increase of vehicles licensed in the municipal area
Fees & Commissions	1 913 928	-	1 913 928	-		(1 913 928)	-100%	
Traffic fines	305 000	-	305 000	151 484		(153 516)	-50%	Due to lack of resources to follow up outstanding fines and cancellation of fines issued.
Rental of facilities and equipment	169 488	-	169 488	945 241		775 753	458%	Finance lease liability for vehicles is nearing completion resulting in a lease receivable balance as a result of straight lining
Subsidies	427 000	-	427 000	2 011 701		1 584 701	371%	Outstanding clinic subsidy claims were paid. The library subsidy was not received.
Valuation roll	3 000 000	(3 000 000)	-	-		-	0%	n/a
Grants FMG	1 500 000	-	1 500 000	1 667 179		167 179	11%	R1667 179 were the funds that were commited during 2011/12 however the the allocation was only R1 500 000
Grants MSIG	800 000	-	800 000	988 441		188 441	24%	The expenditure for 2012 is included and was committed to the allocation for this year.
Interest income	1 325 000	-	1 325 000	2 535 437		1 210 437	91%	The Municipality was able to invest additional funds in the current year.
Transfers recognised - operational	62 494 000	-	62 494 000	62 494 000		-	0%	n/a
Gains on disposal of PPE	-	1 153 246	1 153 246	-		(1 153 246)	-100%	Additional assets were disposed of resulting in the gain becoming a loss.
Total Revenue (excluding capital transfers & contributions)	**93 311 699**	**3 544 830**	**96 856 529**	**89 060 046**		**(7 796 483)**	**92%**	
Expenditure								
Employee costs	32 717 420	(1 516 980)	31 200 440	27 712 333	-	(3 968 247)		Not all the budgeted posts were filled in 2012/13
Remuneration of Councillors	5 779 615	1 483 496	7 263 111	6 782 971			-10%	
Debt impairment	3 840 221	-	3 840 221	3 437 307		(402 914)	-10%	n/a
Depreciation & asset impairment	13 415 021	(1 848 165)	11 566 856	5 275 988		(6 290 868)	-54%	Certain capital projects are still in progress resulting in less depreciation being charged.
Finance charges	2 800 000	(1 300 000)	1 500 000	2 831 912		1 331 912	89%	Finance leases for new plant entered into were delivered in June 2013 resulting in the leases having to be captured onto the system.
Consultant fees	1 500 000	648 000	2 148 000	3 444 423		1 296 423	60%	The municipality is in the process of changing the financial system resulting in additional fees.
Other materials	840 000	(418 959)	421 041	793 167		372 126	88%	Additional small tools were purchased for R73000 and other consumables required.
Indigent support	5 040 547	(4 040 547)	1 000 000	656 105		(343 895)	-34%	Indigent support was not fully implimented and most of applications are still in progress for Rates Indigents.
Rentals	1 996 000	3 975 384	5 971 384	2 831 912		(3 139 472)	-53%	Rentals were only for the building and the genarator.
Other expenditure	21 842 475	(3 474 685)	18 367 790	15 966 283		(2 401 507)	-13%	A decrease in operating expenses was experienced.
Repairs and maintenance	3 540 400	3 000 000	6 540 400	1 998 751	-	(4 541 649)	-69%	Some of the funds were for roads and building. The repairs and maintenance are still in progress (refer to note 11)
Contributions	-	1 000 000	1 000 000	1 443 193		443 193	44%	The SAGLA contribution was not paid as the invoice was received after year end.
Total Expenditure	**93 311 699**	**(2 492 456)**	**90 819 243**	**73 174 345**	**-**	**(18 088 091)**	**-20%**	
Surplus/(Deficit)	**-**	**6 037 286**	**6 037 286**	**15 885 701**		**10 291 608**	170%	-
Transfers recognised - Capital MIG	23 233 000	-	23 233 000	24 701 337		1 468 337	6%	n/a
Transfers recognised - Capital INEG	7 480 000	-	7 480 000	3 692 142		(3 787 858)	-51%	The Rooihoek Projects are on hold due to the connection issues to the Free State Province.
Transfers recognised - Capital Small Town Rehabilitation	-	10 900 000	10 900 000	4 630 284		(6 269 716)	-58%	Late implementation as the funds were only received in January 2013.
Transfers recognised - capital	**30 713 000**	**10 900 000**	**41 613 000**	**33 023 763**		**(8 589 237)**	**-21%**	-
Contributions recognised - capital & contributed assets		**-**						
Surplus/ (Deficit) after capital transfers & contributions	**30 713 000**	**16 937 286**	**47 650 286**	**48 909 464**		**1 702 371**	**4%**	-
Capital expenditure & funds sources								
Transfers recognised - capital	30 713 000	10 900 000	41 613 000	33 023 763		(8 589 237)	-21%	Lack of capacity in the Technical department resulted in a delay in the completion of capital projects.
Transfers recognised - capital (from Equitable Share)	-	-	-	-	-	-	0%	n/a
Public contributions & donations	**-**	-	-	62 052		62 052	100%	Donation of assets for a community hall not anticipated
Borrowing	15 000 000	-	15 000 000	6 256 486		(8 743 514)	-58%	The full loan was not expensed in 2013, so expenses are expected in 2014.
Internally generated funds	-	-	-	-	-	-	0%	n/a
External Reserves	-	7 572 500	7 572 500	-		(7 572 500)	-100%	
Total sources of capital funds	**45 713 000**	**18 472 500**	**64 185 500**	**39 342 301**	**-**	**(17 270 699)**	**-27%**	-

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		Note	2012 R
2.	**Change in accounting policies and prior year adjustments**		
	The following adjustments were made to amounts previously reported in the annual financial statements as a result of the correction of prior year errors.		
2.1	**Unspent grants**	8	
	Balance as previously stated - 30 June 2012		35 399 804
	Correction of prior year error		
	Grant PMS expenditure for 2012 being correctly accounted for		(38 820)
	Write back of Transitional Grant		(16 859)
	Restated balance as at 30 June 2012		**35 344 125**
2.2	**Accumulated surplus**		
	Restated balance as at 1 July 2011		50 205 945
	Correction of prior year error		
	Correction of consumer deposits		(3)
	Correction of sundry deposits		119
	Land previously not included in the register		715 915
	Write back of Transitional Grant		16 859
	Surplus for the year - restated (Note 2.5)		34 438 645
	Restated balance as at 30 June 2012		**85 377 480**
2.3	**Trade and other payables from exchange transactions**	9	
	Balance as previously stated - 30 June 2012		8 457 197
	Correction of prior year error		
	Correction of consumer deposits		3
	Correction of sundry deposits		(119)
	Restated balance as at 30 June 2012		**8 457 081**
2.4	**Property, Plant and Equipment**	11	
	Balance as previously stated - 30 June 2012		65 086 776
	Correction of prior year error		
	Correction of capitalised building costs to expenditure		(199 732)
	Land previously not included in the register		715 915
	Restated balance as at 30 June 2012		**65 602 959**
2.5	**Surplus for the year**		
	Surplus for the year as as previously stated		34 599 557
	Correction of prior year error		
	Grant PMS expenditure conditions met transferred to revenue		38 820
	Correction of capitalised building costs to expenditure		(199 732)
	Surplus for the year as restated 30 June 2012		**34 438 645**

	2013 R	2012 R

3. Retirement benefits

3.1 Defined benefit plan

Post retirement medical aid plan

The municipality operates an accredited medical aid scheme. The post retirement medical aid plan, to which 1 member (2012: 2 members) belongs, consists of the Key Health Medical Scheme. Pensioners continue on the option they belonged to on the day of their retirement.

The independent valuers, Alexander Forbes (Pty) Ltd, carried out a statutory valuation on 30 June 2013.

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate per annum	7.60%	7.75%
Health care cost inflation rate	8.00%	7.00%
Benchmark inflation (equal to salary inflation)	7.50%	6.00%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	**185 058**	**573 653**

	2013	2012
Reconciliation of the movement in the liability		
Opening balance	573 653	524 481
Interest cost	42 381	43 795
Expected employer benefit payments	(50 530)	(45 341)
Actuarial (gain) / loss	(380 446)	50 718
	185 058	**573 653**

	2013	2012
Net expense recognised in the statement of financial performance		
Interest cost	42 381	43 795
Expected employer benefit payments	(50 530)	(45 341)
Actuarial (gains) losses	(380 446)	50 718
	(388 595)	**49 172**

3.2 Post retirement pension plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the Municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2013 interim valuations have not yet been released.

Superannuation Fund

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2012 concluded that:
The Fund's liabilities for service to the valuation date was 2012: 96% (2011: 90.9%) funded on the discounted cash flow method. The Fund's financial position has improved from the previous statutory valuation.

At the valuation date:
The memorandum account in respect of pensioners was fully funded.

There was a deficit in respect of active members. A surchage of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 01 July 2012 to meet the deficit.

	2013 R	2012 R

3. Retirement benefits (continued)

3.2 Post retirement pension plan (continued)

Superannuation Fund (continued)

The contribution rate being paid at the previous statutory valuation date was not sufficient to cover the contribution rate required for future service, showing a shortfall of 3.63% of pensionable salaries. The recommendation is to increase the employer's basic contribution from 18% to 21.63% (18.00% plus 3.63% with effect from 1 July 2012).

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2012 reflected:
The memorandum account in respect of pensioners was fully funded
Based on the valuation assumptions applied in 2000, the Fund was fully funded, however based on revised assumptions the Funds liabilities for the contributory members exceeded the value of the assets and an extension of the surcharge for another 5 years would be necessary to return the funding level to 100%.

The statutory actuarial valuation carried out on the Retirement Fund as at 31 March 2012 reflected:
The Fund's liabilities for service to the valuation date was 90.6% (interim valuation - 2011: 84.1%) funded on the discounted cash flow method. The Fund's financial position has deteriorated from the previous statutory valuation.

At the valuation date:
The memorandum account in respect of pensioners was fully funded.

There was a deficit in respect of active members. To meet the deficit, it is recommended that the surcharge of 17% be increased to 17.5% of pensionable salaries and that the repayment period be extended from 5 to 8 years at which time the deficit is expected to be fully funded.

The required contribution rate for the future service benefits for active members exceeded the contribution rate payable by 4.72% of pensionable salaries.

Provident Fund

The latest statutory valuation of the Provident Fund as at 31 March 2009 and the interim valuation as at 31 March 2012 revealed that the fund was in a sound financial position.

3.3 Long Service Awards

The independent valuers, Alexander Forbes, carried out a statutory valuation on the long service leave benefit on 30 June 2013. This is the first year that this actuarial valuation has been performed in accordance with Council Resolution in August 2012.

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate per annum	8.25%	-
Inflation rate per annum	5.50%	-
Salary increase rate per annum	6.50%	-
Active members	108	-
Salary weighted average age	38.8 years	-
Salary weighted past service	7.4 years	-

	2013	2012
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	**1 444 990**	**-**

	2013 R	2012 R

3. Retirement benefits (continued)

3.2 Long Service Awards (continued)

	2013 R	2012 R
Reconciliation of the movement in the liability		
Opening balance	-	-
Past Service Cost	1 216 000	
Interest cost	110 000	-
Expected employer benefit payments	170 000	-
Actuarial (gain) / loss	56 000	-
less municipality paid benefits	(107 010)	-
	1 444 990	**-**

	2013 R	2012 R
Net expense recognised in the statement of financial performance		
Past Service Cost	1 216 000	-
Interest cost	110 000	-
Expected employer benefit payments	170 000	-
Actuarial (gains) losses	56 000	-
	1 552 000	**-**

In conclusion:

	2013 R	2012 R
Statement of Financial Position obligation for:		
Post-employment medical benefits	185 058	573 653
Long Service Award	1 444 990	-
	1 630 048	**573 653**
Statement of Financial Performance obligation for:		
Post-employment medical benefits	(388 595)	49 172
Long Service Award	1 552 000	-
	1 163 405	**49 172**
Post-employment medical benefits (gains) losses	(380 446)	50 718
Long service award loss	56 000	-
	(324 446)	**50 718**

4. Finance lease obligation

	2013 R	2012 R
Minimum lease payments due		
No later than 1 year	3 336 824	2 981 456
Later than 1 year and no later than 5 years	6 437 234	1 735 024
Later than 5 years	-	-
	9 774 058	4 716 480
Less: future finance charges	(2 010 364)	(452 234)
Present value of minimum lease payments	**7 763 694**	**4 264 246**

	2013 R	2012 R
Present value of minimum lease payments due		
No later than 1 year	2 641 449	2 599 880
Later than 1 year and no later than 5 years	5 122 246	1 664 366
Later than 5 years	-	-
	7 763 695	**4 264 246**

The average lease term was 3 - 5 years and the effective borrowing rate was between 9% to 15.5% (2012: 9% to 15.5%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The assets leased include vehicles and photocopiers.

	2013 R	2012 R

5. Provisions

	2013	2012
Non-current liabilities	2 637 020	2 357 232
	2 637 020	**2 357 232**

Reconciliation of provisions - 2013	**Opening balance**	**Movement**	**Total**
Environmental rehabilitation	2 357 232	279 788	2 637 020
	2 357 232	**279 788**	**2 637 020**

Reconciliation of provisions - 2012	**Opening balance**	**Movement**	**Total**
Environmental rehabilitation	2 106 316	250 916	2 357 232
	2 106 316	**250 916**	**2 357 232**

The landfill provision represents management's best estimate of the Municipality's liability.

It relates to the present value of the costs involved to rehabilitate the land and move the landfill to a new site in 3 years time. The prime rate of 9% has been used as the discounting factor in the provision.

6. Annuity loans

	2013	2012
Winterton farmers association	**-**	**9 450**

This related to a loan that the Municipality had with the Winterton Farmers Association which was repaid during the 2012/2013 financial year. For further details refer to Appendix A.

7. Operating lease liability

	2013	2012
Current liabilities	1 147 557	848 238
	1 147 557	**848 238**

The liability relates to the straightlining of the office building lease due to the rentals escalating by 10% per annum.

The future minimum lease payments under a non-cancellable operating lease for the actual liability are as follows:

	2013	2012
No later than 1 year	1 243 119	1 243 119
Later than 1 year and no later than 5 years	4 972 476	4 972 476
Later than 5 years	2 486 238	3 729 357
Total future cash flows	**8 701 834**	**9 944 952**

	2013 R	2012 R

8. Unspent conditional grants and receipts

Finance management grant	-	167 179
Performance management system grant	-	1 500
MPCC grant	152 577	615 549
Gijima - KZN Baseline study grant	46 438	46 438
Municipal systems improvement grant (MSIG)	-	188 441
Spatial planning grant	32 848	32 848
Municipal infrastructure grant (MIG)	-	11 821 600
Refuse disposal site grant	1 058 671	1 212 765
Cemetery grant	-	68 692
Intergrated development plan grant	-	752
Small town rehab grant	9 058 083	2 788 367
Pound grant	143 755	1 000 000
Disaster Relief grant	1 860 800	-
Department of Sports grant	150 000	-
NER - electrification of households	3 571 301	7 263 443
Housing Projects	10 136 551	10 136 551
	26 211 024	**35 344 125**

See Note 20 for a reconciliation of grants and subsidies from other spheres of government.

9. Trade and other payables from exchange transactions

Unallocated deposits	129 341	129 341
Leave pay accrual	1 366 499	1 386 382
Sundry payables	775 474	743 276
Retention creditor	2 698 734	981 288
Trade creditors	1 882 714	3 754 045
Salary control	74 640	159 735
Unallocated receipts	476 607	476 281
Payments received in advance	941 697	823 981
Grant Creditor - MIG	4 770 000	-
Consumer refunds	-	2 752
	13 115 706	**8 457 081**

10. VAT receivable

Tax receivable	**2 785 692**	**736 318**

11. Property, plant and equipment

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	2 312 868	-	2 312 868	1 851 112	-	1 851 112
Buildings	33 504 130	(8 377 991)	25 126 139	22 910 534	(7 729 308)	15 181 226
Buildings - Assets under construction	4 051 686	-	4 051 686	4 964 360	-	4 964 360
Plant and machinery	1 373 684	(684 902)	688 782	2 000 384	(1 498 058)	502 326
Motor vehicles	1 693 790	(1 111 365)	582 425	2 182 006	(1 461 300)	720 706
Office equipment	2 177 557	(775 987)	1 401 570	1 477 805	(586 412)	891 393
IT equipment	2 241 440	(1 353 024)	888 416	1 831 265	(1 127 185)	704 080
Infrastructure	64 594 886	(15 527 704)	49 067 182	44 485 791	(14 787 247)	29 698 544
Infrastructure - Assets under construction	5 298 925	-	5 298 925	5 700 399	-	5 700 399
Community	1 881 691	(1 074 718)	806 973	1 881 691	(720 375)	1 161 316
Leased assets	14 697 971	(6 109 784)	8 588 187	9 252 289	(5 024 792)	4 227 497
	133 828 628	**(35 015 475)**	**98 813 153**	**98 537 636**	**(32 934 677)**	**65 602 959**

Reconciliation of property, plant and equipment - 2013

	Opening Balance	Additions	Disposals	Impairment	Depreciation	Transfers	Transferred to Assets held for sale	Total
Land	1 851 112	500 000	(38 244)	-	-	-	-	2 312 868
Buildings	15 181 226	-	-	-	(648 681)	10 593 595	-	25 126 140
Buildings - Assets under construction	4 964 360	8 120 992	-	-	-	(9 033 666)	-	4 051 686
Plant and machinery	502 326	469 749	(122 991)	-	(106 439)	-	(53 767)	688 878
Motor vehicles	720 706	-	(60 282)	-	(77 998)	-	-	582 426
Office equipment	891 393	759 943	-	(9 539)	(215 029)	-	(25 197)	1 401 571
IT equipment	704 080	421 946	-	(1 796)	(229 389)	-	(6 731)	888 110
Infrastructure	29 698 544	-	(2 134 084)	(1 103 833)	(1 228 196)	23 834 750	-	49 067 181
Infrastructure - Assets under construction	5 700 399	24 993 205	-	-	-	(25 394 679)	-	5 298 925
Community	1 161 316	-	-	-	(354 343)	-	-	806 973
Leased assets	4 227 497	5 540 625	(52 660)	-	(1 127 276)	-	-	8 588 186
	65 602 959	**40 806 460**	**(2 408 261)**	**(1 115 168)**	**(3 987 351)**	**-**	**(85 695)**	**98 812 944**

Included in additions is an amount of R62 052 for a donation of movable assets for one of the community centres.

Reconciliation of Property, plant and equipment - 2012 - Restated

	Opening Balance	Prior year adjustment	Impairment	Additions	Disposals	Depreciation	Total
Land	1 135 197	715 915	-	-	-	-	1 851 112
Buildings	6 048 794	-	(388 825)	9 966 668	-	(445 411)	15 181 226
Buildings - Assets under construction	7 010 049	-	-	(2 045 689)	-	-	4 964 360
Plant and machinery	1 307 171	-	(763 714)	114 348	-	(155 479)	502 326
Motor vehicles	646 705	-	(147 154)	395 241	-	(174 086)	720 706
Office equipment	557 304	-	(19 390)	505 219	-	(151 740)	891 393
IT equipment	890 778	-	(52 697)	123 345	-	(257 346)	704 080
Infrastructure	27 454 693	-	(495 943)	3 964 865	-	(1 225 071)	29 698 544
Infrastructure - Assets under construction	77 368	-	-	5 623 031	-	-	5 700 399
Community	1 414 032	-	-	101 500	-	(354 216)	1 161 316
Leased assets	5 301 729	-	-	619 407	-	(1 693 639)	4 227 497
	51 843 820	**715 915**	**(1 867 723)**	**19 367 935**	**-**	**(4 456 988)**	**65 602 959**

Pledged as security

No items of property, plant and equipment have been pledged as security or encumbered in any way.

Assets subject to finance lease (net carrying amount)

Motor vehicles - leased assets	7 486 253	3 329 235
Photocopiers - leased assets	1 104 744	898 264
	8 590 997	**4 227 499**

	R	R

12. Intangible assets

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software, other	323 394	(267 003)	56 391	323 394	(238 857)	84 537

Reconciliation of intangible assets - 2013

	Opening Balance	Transfers	Additions	Disposals	Depreciation	Total
Computer software, other	84 537	-	-	-	(28 146)	56 391

Reconciliation of intangible assets - 2012

	Opening Balance	Transfers	Additions	Disposals	Depreciation	Total
Computer software, other	105 712	-	-	-	(21 175)	84 537

Pledged as security - restricted title

The legal title related to all intangible assets vests in Okhahlamba Municipality and has not been restricted in any manner.

Other information

The Municipality does not have any fully amortised intangible assets that are still in use.

The Municipality does not have any intangible assets with indefinite lives.

13. Non current assets held for discontinued operations

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Clinic assets to be transferred	142 541	(56 847)	85 694	-	-	-

Reconciliation of Non current assets held for discontinued operations 2013

	Opening Balance	Transferred from PPE	Total
Clinic assets to be transferred	-	85 695	85 695

A service level agreement has been signed with the Department of Health to transfer the clinic operations, staff, assets and liabilities from the municipality to the Department of Health.

This agreement was effective from 1 July 2012, when all staff and liaiblities were transferred. The assets were yet to be transferred and have thus been disclosed as non current assets held for discontinued operations. The transfer will take place in the 2013/2014 financial year

14. Consumer debtors

	2013 R	2012 R
Gross balances		
Rates	19 429 523	14 158 848
Water	-	286
Refuse	369 158	337 409
Sundry	264 568	192 292
	20 063 249	**14 688 833**
Less: Provision for debt impairment		
Rates	(11 120 261)	(8 205 593)
Water	-	(286)
Refuse	(201 999)	(248 509)
Sundry	(195 105)	(162 344)
	(11 517 365)	**(8 616 732)**
Net balance		
Rates	8 309 262	5 953 255
Water	-	-
Refuse	167 159	88 900
Sundry	69 463	29 948
	8 545 884	**6 072 103**
Rates		
Current (0 -30 days)	1 437 503	1 197 765
31 - 60 days	1 059 417	897 087
61 - 90 days	870 619	984 005
91 - 120 days	785 501	690 810
121 - 365 days	15 276 483	10 389 181
	19 429 523	**14 158 848**
Water		
> 120 days	**-**	**286**
Refuse		
Current (0 -30 days)	25 459	21 853
31 - 60 days	14 096	12 338
61 - 90 days	10 420	9 193
91 - 120 days	9 590	8 135
121 - 365 days	309 593	285 890
	369 158	**337 409**
Other (sundry)		
Current (0 -30 days)	(941 697)	(823 981)
31 - 60 days	2 029	5 544
61 - 90 days	1 495	1 208
91 - 120 days	1 074	-
> 120 days	1 201 667	1 009 521
	264 568	**192 292**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(8 616 732)	(13 134 893)
Bad debts written off	536 674	9 404 603
Contributions to provision	(3 437 307)	(4 886 442)
	(11 517 365)	**(8 616 732)**

	2013 R	2012 R

14. Consumer debtors (continued)

Consumer debtors pledged as security

Consumer debtors have not been pledged as security or encumbered in any way.

Consumer debtors past due but not impaired

Consumer debtors which show a history of payment are not considered to be impaired.
At 30 June 2013 R643 139, (2012: R4 852 485) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2013 R	2012 R
Amounts not past due or impaired	1 066 201	1 219 618
Amounts past due but not impaired	643 139	4 852 485
Amounts past due and impaired	18 353 909	8 616 732
	20 063 249	**14 688 835**

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R18 353 909 (2012: R8 616 732) were impaired and provided for.

The amount of the provision was R11 517 365 as of 30 June 2013 (2012: R8 616 732).

15. Other receivables from exchange transactions

	2013 R	2012 R
Deposits	-	737
Sundry services (sundry debtors)	48 696	18 426
Accrued Interest	77 018	11 740
	125 714	**30 903**

16. Cash and cash equivalents

Cash and cash equivalents consist of: cash on hand, bank balances as well as short term deposits.

	2013 R	2012 R
Cash on hand	5 100	2 100
Bank balances	34 520 280	40 136 765
Short-term deposits	44 303 520	24 688 941
	78 828 900	**64 827 806**

16. Cash and cash equivalents (continued)

The municipality had the following bank accounts:

Account number / description	**Bank statement balances**		**Cash book balances**	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
First National Bank: 51660362710 : Cheque Account	34 517 748	40 129 910	34 517 748	40 129 910
Absa Bank: 4062409321 : Cheque Account	2 532	6 855	2 532	6 855
First National Bank: 62241428798 : Money Market	20 000	10 382	20 000	10 382
ABSA Bank: 9147522394 : Call Account	161 118	156 737	161 118	156 737
ABSA Bank: 9127331781 : Call Account	147 245	143 209	147 245	143 209
ABSA Bank: 9147523015 : Call Account	76 169	74 097	76 169	74 097
ABSA Bank: 9147523201 : Call Account	17 172	17 155	17 172	17 155
ABSA Bank: 9147523324 : Call Account	54 060	54 006	54 060	54 006
ABSA Bank: 9129607037 : Call Account	30 830	30 135	30 830	30 135
ABSA Bank: 9143291852 : Call Account	13 340	13 326	13 340	13 326
ABSA Bank: 9143291690 : Call Account	70 360	70 290	70 360	70 290
ABSA Bank: 9143291420 : Call Account	118 240	118 122	118 240	118 122
ABSA Bank: 9064276678 : Call Account	8 291	8 286	8 291	8 286
ABSA Bank: 9129606316 : Call Account	629 224	615 040	629 224	615 040
ABSA Bank: 9143117072 : Call Account	8 954	8 950	8 954	8 950
ABSA Bank: 9143294193 : Call Account	167 029	166 862	167 029	166 862
ABSA Bank: 9188335792 : Call Account	12 280	12 267	12 280	12 267
ABSA Bank: 9091141107 : Call Account	8 623	8 366	8 623	8 366
First National Bank: 62051600932 : Call Account	28 831	12 316 236	28 831	12 316 236
First National Bank: 62053113230 : Call Account	532 069	28 569	532 069	28 569
First National Bank: 61166894638 : Call Account	8 906 953	3 000	8 906 953	3 000
First National Bank: 62228422060 : Money Market	1 411 494	10 470	1 411 494	10 470
First National Bank: 62228428331 : Money Market	-	10 470	-	10 470
First National Bank 74386656746 : Fixed Deposits	8 225 246	-	8 225 246	-
First National Bank 74386660490: Fixed Deposits	12 343 348	-	12 343 348	-
Investec: 1100463208450	11 312 644	10 812 966	11 312 644	10 812 966
	78 823 800	**64 825 706**	**78 823 800**	**64 825 706**

	2013 R	2012 R

17. Revenue

	2013 R	2012 R
Rendering of services	128 933	135 244
Property rates	15 183 376	11 926 746
Service charges	354 502	500 419
Property rates - penalties imposed and collection charges	2 469 597	1 978 314
Rental of facilties and equipment	945 241	41 606
Income from agency services	613 590	508 495
Subsidies	1 851 701	1 267 963
Fines	151 484	212 650
Government grants	100 570 901	77 249 435
Other revenue	373 126	283 957
Donations received	62 052	-
Interest received	2 535 437	1 462 441
Total Revenue	**125 239 940**	**95 567 270**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2013 R	2012 R
Rendering of services	128 933	135 244
Service charges	354 502	500 419
Rental of facilities & equipment	945 241	41 606
Income from agency services	613 590	508 495
Interest received	2 535 437	1 462 441
Miscellaneous other revenue	373 126	283 957
	4 950 829	**2 932 162**

The amount included in revenue arising from non-exchange transactions is as follows:

	2013 R	2012 R
Property rates	15 183 376	11 926 746
Property rates - Penalties imposed and collection charges	2 469 597	1 978 314
Fines	151 484	212 650
Subsidies	1 851 701	1 267 963
Donations received	62 052	-
Government grants	100 570 901	77 249 435
	120 289 111	**92 635 108**

18. Property rates

Rates raised

	2013 R	2012 R
Residential	2 386 900	2 175 530
Commercial	10 120 451	9 279 936
State	592 665	709 941
Agricultural	7 224 566	6 670 049
Municipal	156 778	148 782
Vacant land	454 084	482 562
Other	528 604	363 015
	21 464 048	19 829 815
Property rates - rebates	(6 280 672)	(7 903 069)
	15 183 376	**11 926 746**

	2013 R	2012 R

18. Property rates (Continued)

Valuations

	2013	2012
Residential	1 380 429 687	1 398 985 631
State	7 240 000	-
Commercial	649 328 636	643 314 236
Municipal	25 372 128	25 119 120
Small holdings and farms	2 233 459 215	2 207 170 079
Communal land	604 924 878	600 428 163
Multi-purpose	54 726 260	54 726 260
Vacant Land (Other than residential property)	85 926 280	83 961 480
Public worship	18 663 292	17 762 292
Public benefit organisations	28 004 000	6 830 000
Public service infrastructure	7 547 734	7 490 734
Schools	105 667 496	129 841 496
	5 201 289 606	**5 175 629 491**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2009.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Assessment rates are determined by applying the following cents in the rand on the market valuation:

	2013	2012
Agriculture properties used for agriculture purposes	0.00155	0.00146
Business and commercial properties	0.0062	0.0058
Industrial properties	0.0062	0.0058
Municipal properties, land reform, informal settlements, public worship	0.0062	0.0058
Public service infrastructure and public benefit organisations	0.00155	0.00146
Residential properties	0.0062	0.0058
Vacant land (Residential)	0.0062	0.0058

	2013	2012
Rebates are granted to:		
MPRA Phase in	0%	25%
Public benefit organisations, schools, churchs, places of worship, communal land and municipal property	100%	100%
Private Developed Estates	30%	30%
Public Service Infrastructure	30%	30%

The first R15 000 of the valuation of residential properties are exempt from the calculation of rates.

Khethani residents are exempt from Rates and services for 2012/2013 as approved by Council.

Pensioners receive a 50% on application.

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 30 July 2013 (2010: 30 July 2012).

Interest at a fixed rate of 18% per annum (2013: 18%) is levied on rates outstanding two months after due date.

19. Other revenue

	2013 R	2012 R
Business licences	5 452	4 896
Commission	-	66 337
Fees for photocopies and subscriptions	32 816	21 874
Fines	-	1 200
Lost books	-	94
Rates clearance	14 777	16 752
Sundry revenue	178 948	3 292
Tenders	121 250	169 250
Valuation roll	-	262
Reduction in leave contribution	19 883	-
	373 126	**283 957**

20. Government grants

	2013 R	2012 R
Equitable share	62 494 000	54 262 000
Finance management grant	1 667 179	1 258 479
Performance management system grant	1 500	38 820
MPCC grant	462 972	552 942
MSIG	988 441	527 683
Municipal Infrastructure Grant (MIG)	24 701 337	15 952 699
Refuse Disposal grant	154 094	-
Cemetery grant	68 692	-
IDP grant	752	
Small town rehab grant	4 630 284	2 435 083
Pound grant	856 245	-
NER - Electrification of households	3 692 142	189 962
VAT recovery	853 263	2 031 767
	100 570 901	**77 249 435**

20.1 Equitable Share

	2013 R	2012 R
Balance unspent at beginning of year	-	-
Current-year receipts	62 494 000	54 262 000
Conditions met - transferred to revenue	(62 494 000)	(54 262 000)
	-	-

In terms of the Constitution, this grant is used to offset operational expenses.

20.2 Finance management grant (FMG)

	2013 R	2012 R
Balance unspent at beginning of year	167 179	-
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 667 179)	(1 258 479)
VAT recovery	-	(24 342)
Conditions still to be met - transferred to liabilities (see note 8)	**-**	**167 179**

This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld.

	2013 R	2012 R

20. Government grants (continued)

20.3 Performance management system grant

	2013 R	2012 R
Balance unspent at beginning of year	1 500	40 320
Current-year receipts	-	-
Conditions met - transferred to revenue	(1 500)	(38 820)
Conditions still to be met - transferred to liabilities (see note 8)	**-**	**1 500**

This grant was used to develop and implement the performance management system. No funds were withheld.

20.4 Multi purpose community centre grant (MPCC)

	2013 R	2012 R
Balance unspent at beginning of year	615 549	1 491
Current-year receipts	-	1 167 000
Conditions met - transferred to revenue	(462 972)	(552 942)
Conditions still to be met - transferred to liabilities (see note 8)	**152 577**	**615 549**

The grant was used to pay for the security and maintenance expenses of the multi purpose community centre. No funds were withheld.

20.5 Gijima KZN - Baseline study grant

	2013 R	2012 R
Balance unspent at beginning of year	46 438	46 438
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 8)	**46 438**	**46 438**

The grant is used for the local economic development study. No funds were withheld.

20.6 Municipal systems improvement grant (MSIG)

	2013 R	2012 R
Balance unspent at beginning of year	188 441	-
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(988 441)	(527 683)
VAT recovery	-	(73 876)
Conditions still to be met - transferred to liabilities (see note 8)	**-**	**188 441**

The grant was used for the development of the valuation roll.
No funds were withheld.

20.7 Spatial planning grant

	2013 R	2012 R
Balance unspent at beginning of year	32 848	32 848
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 8)	**32 848**	**32 848**

This grant is for development and improvement of Municipality's spatial planning. No funds were withheld.

	2013 R	2012 R

20. Government grants (continued)

20.8 Municipal infrastructure grant (MIG)

	2013	2012
Balance unspent at beginning of year	11 821 600	10 229 071
Current-year receipts	23 233 000	19 153 000
Conditions met - transferred to revenue	(24 701 337)	(15 952 699)
Adjustment - funds withheld	(9 500 000)	-
VAT recovery	(853 263)	(1 607 772)
Conditions still to be met - transferred to liabilities (see note 8)	**-**	**11 821 600**

This grant is for implementation of projects approved by MIG.
Funds were withheld.

20.9 Refuse disposal site grant

	2013	2012
Balance unspent at beginning of year	1 212 765	1 212 765
Current-year receipts	-	-
Conditions met - transferred to revenue	(154 094)	-
Conditions still to be met - transferred to liabilities (see note 8)	**1 058 671**	**1 212 765**

This grant is the for the feasibilty study and acquisition of the land for the refuse disposal site. No funds were withheld.

20.10 Cemetery grant

	2013	2012
Balance unspent at beginning of year	68 692	68 692
Current-year receipts	-	-
Conditions met - transferred to revenue	(68 692)	-
Conditions still to be met - transferred to liabilities (see note 8)	**-**	**68 692**

This grant is the for the feasibilty study and acquisition of the land for the cemetary. No funds were withheld.

20.11 Integrated development plan grant - capital

	2013	2012
Balance unspent at beginning of year	752	752
Current-year receipts	-	-
Conditions met - transferred to revenue	(752)	-
Conditions still to be met - transferred to liabilities (see note 8)	**-**	**752**

This grant was used for community participation during development of IDP document. No funds were withheld.

20.12 Small town rehabilitation grant

	2013	2012
Balance unspent at beginning of year	2 788 367	5 522 632
Current-year receipts	10 900 000	-
Conditions met - transferred to revenue	(4 630 284)	(2 435 083)
VAT recovery	-	(299 182)
Conditions still to be met - transferred to liabilities (see note 8)	**9 058 083**	**2 788 367**

This grant is for the rehabilitation of Okhahlamba municipal area.
No funds were withheld.

	2013 R	2012 R

20. Government grants (continued)

20.13 Pound grant

	2013 R	2012 R
Balance unspent at beginning of year	1 000 000	1 000 000
Current-year receipts	-	-
Conditions met - transferred to revenue	(856 245)	-
Conditions still to be met - transferred to liabilities (see note 8)	**143 755**	**1 000 000**

This grant is for the creation and running of a pound. No funds were withheld.

20.14 Disaster Relief grant

	2013 R	2012 R
Balance unspent at beginning of year	-	-
Current-year receipts	1 860 800	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 8)	**1 860 800**	**-**

This grant is for repairing bridges and building temporary by-passes and causeways. No funds were withheld.

20.15 Department of Sports & Recreation grant

	2013 R	2012 R
Balance unspent at beginning of year	-	-
Current-year receipts	150 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 8)	**150 000**	**-**

This grant is to facilitate sport and recreation participation and empowerment within schools, clubs and hubs in partnership with relevant stakeholders. No funds were withheld.

20.16 NER - electrification of households

	2013 R	2012 R
Balance unspent at beginning of year	7 263 443	-
Current-year receipts	-	7 480 000
Conditions met - transferred to revenue	(3 692 142)	(189 962)
VAT recovery	-	(26 595)
Conditions still to be met - transferred to liabilities (see note 8)	**3 571 301**	**7 263 443**

This grant is for electrification of households. No funds were withheld.

20.17 Housing Projects

	2013 R	2012 R
Balance unspent at beginning of year	10 136 551	10 136 551
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 8)	**10 136 551**	**10 136 551**

This grant is for the construction of housing. No funds were withheld.

The Housing Projects grant revenue is currently part of the forensic investigation, which is ongoing, thus these funds cannot be utilised. The projects identified for the funding have already been paid for by the Department of Human Settlements.

21. General expenses

	2013 R	2012 R
Advertising	438 523	433 255
Arts & Culture	87 122	98 254
Assets expensed/ Small Tools	78 755	33 478
Auditors remuneration	1 118 669	801 788
Bank charges	80 068	145 448
Communication & public relations	9 368	301 215
Community outreach	242 670	56 400
Conferences and seminars	1 840	28 173
Consulting and professional fees	3 444 423	4 147 473
Consumables/Materials	714 412	777 792
Contract fees	49 642	5 786
Co-operatives	10 556	62 900
Disaster and emergencies	18 772	-
Electricity and water	879 633	1 082 355
Exhibitions	87 576	24 500
Free electricity	654 605	542 721
Fuel and oil	1 602 112	1 128 695
Awareness initiatives	39 718	6 050
Grant operating expenditure	4 890 745	1 455 227
Indigent support	1 500	1 087 586
Insurance	224 043	155 352
IT expenses	87 314	242
Job creation	1 001 985	-
Legal fees	120 998	343 021
Marketing	50 762	23 296
Medical expenses	13 000	80 379
Pauper burials	63 593	122 432
Penalty waiver	296 188	-
Performance management system	19 395	146 232
Postage and courier	58 557	61 734
Printing and stationery	426 014	335 293
Promotions	3 480	-
Rental	629 349	1 875 793
Royalties and Licence fees	331 574	201 827
Safety/ security	1 444 682	1 105 468
Scholar Patrol	80 000	68 000
Sports promotions	88 597	185 718
Staff welfare	87 225	78 977
Strategic planning	267 211	10 557
Sundry expenses	-	235
Support physically challenged	42 075	-
Telephone and fax	1 174 448	964 613
Traffic signs & roadmarking	10 846	16 368
Training	551 067	331 511
Valuation expenses	1 362 478	30 000
Ward committees	682 315	175 395
Youth	123 985	-
	23 691 890	**18 531 539**

	2013 R	2012 R

22. Employee related costs

	2013 R	2012 R
Basic	18 431 661	15 642 057
Bonus	1 209 844	1 264 544
Medical aid - company contributions	651 138	573 436
UIF	172 140	159 769
SDL	228 118	185 096
Leave pay provision charge	408 064	168 979
Post-employment benefits - Pension	1 702 269	1 878 393
Housing, standby, uniform, subsistence and other allowances	1 687 654	1 069 169
Overtime payments	924 282	523 595
Transport allowance	1 094 728	893 075
Protective clothing	94 252	89 009
Bargaining Council	7 974	5 723
Long service award	120 847	-
Provident fund	979 362	-
	27 712 333	**22 452 845**

	2013 R	2012 R
Remuneration of Municipal Manager		
Annual Remuneration	684 102	486 932
Travel Allowance	113 000	44 697
Leave paid	-	12 006
Subsistence & Travel Reimbursement	13 244	15 537
	810 346	**559 172**
Remuneration of Chief Finance Officer		
Annual Remuneration	420 641	331 521
Travel Allowance	158 500	60 000
Housing and other allowances	102 525	9 953
Subsistence & Travel Reimbursement	14 591	14 502
Acting allowance	-	7 000
Leave paid	-	81 807
	696 257	**504 783**
Remuneration of Director Social Services		
Annual Remuneration	164 533	126 630
Travel Allowance	51 000	30 559
Housing and other allowances	50 000	
Acting allowance	-	53 336
Leave paid	5 468	92 389
Subsistence & Travel Reimbursement	-	2 268
	271 001	**305 182**
Remuneration of Director TechnicalServices		
Annual Remuneration	396 766	271 935
Travel Allowance	120 000	45 000
Housing allowance	110 000	
Leave Paid	-	42 762
Subsistence & Travel Reimbursement	-	3 510
	626 766	**363 207**
Remuneration of Director Corporate Services		
Annual Remuneration	-	-
Car Allowance	-	-
	-	**-**

The Director Corporate Services has been a vacant position.

	2013 R	2012 R

23. Remuneration of councillors

	2013 R	2012 R
Mayor		
Annual remuneration	459 954	429 711
Travel Allowance	153 318	143 237
Cellphone allowance	20 713	37 752
Subsistence & Travel Reimbursement	-	2 962
	633 985	**613 662**
Deputy Mayor		
Annual remuneration	361 979	341 296
Travel Allowance	122 654	117 062
Cellphone allowance	18 878	18 840
Subsistence & Travel Reimbursement	11 441	9 549
	514 952	**486 747**
Speaker		
Annual remuneration	358 168	343 769
Travel Allowance	122 654	116 266
Cellphone allowance	18 878	18 840
	499 700	**478 875**
Exco		
Annual Remuneration	567 227	510 480
Travel Allowance	189 731	173 524
Cellphone allowance	35 328	31 120
Subsistence & Travel Reimbursement	14 544	5 571
	806 830	**720 695**
Councillors		
Annual Remuneration	3 014 763	2 802 001
Travel Allowance	1 008 390	930 142
Cellphone Allowances	255 276	257 628
Subsistence & Travel Reimbursement	2 466	-
	4 280 895	**3 989 771**
UIF & SDL	46 609	43 157
	6 782 971	**6 332 907**

In-kind benefits

The Mayor, Deputy Mayor and Speaker are full-time councillors and each is provided with a fully furnished office in the Municipal buildings.

The Mayor has two full-time bodyguards, the use of a Council owned vehicle and secretarial support.

The Deputy Mayor has one full-time bodyguard and secretarial support.

24. Debt impairment

	2013 R	2012 R
Debt impairment	**3 437 307**	**4 886 442**

	2013 R	2012 R

25. Interest revenue

	2013 R	2012 R
Interest from investments	2 064 949	1 030 517
Interest from current account	470 489	431 924
	2 535 438	**1 462 441**

26. Depreciation and amortisation

	2013 R	2012 R
Property, plant and equipment	3 987 371	4 456 988
Intangible assets	28 146	21 175
	4 015 517	**4 478 163**

Refer to reconciliation of carrying amounts in note 11 and 12 for further details.
Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

27. Finance costs

	2013 R	2012 R
Non-current liabilities	**2 831 912**	**678 930**

28. Auditors' remuneration

	2013 R	2012 R
Fees	**1 118 669**	**801 788**

29. Cash generated from (used in) operations

	2013 R	2012 R
Surplus (deficit)	51 130 026	34 438 645
Adjustments for:		
Depreciation and amortisation	4 160 820	4 478 163
Interest received	(2 535 437)	(1 462 441)
Finance costs	2 831 912	678 930
Donations received	(62 052)	
Prior year adjustment	7 026	-
Increase in provision for debt impairment	2 900 633	(4 518 161)
Impairment of assets	1 115 168	1 867 723
Contribution to retirement benefit obligation	1 163 405	49 172
Contribution to landfill provision	279 788	250 916
Loss of disposal of assets	1 095 568	-
Working Capital Movements		
Trade and other receivables from exchange transactions	(94 811)	896 001
Consumer debtors	(4 432 719)	4 140 701
VAT receivable	(2 049 374)	(228 502)
Trade and other payables from exchange transactions	4 658 625	2 232 135
Unspent conditional grants and receipts	(9 133 101)	7 052 565
Movements in operating lease assets and accruals	299 319	385 119
	51 334 796	**50 260 966**

30. Capital Commitments

Commitments in respect of capital expenditure:

	2013 R	2012 R
Approved and not contracted for	11 942 174	-
Approved and contracted for	29 329 038	32 377 006
	41 271 212	**32 377 006**

	2013 R	2012 R

31. Contingencies

31.1 Contingent assets

No contingent assets exist for 2013 (2012 R: nil)

31.2 Contingent liabilities

	2013 R	2012 R
The Municipality is defending a claim made by the Natal Joint Municipal Pension fund. An amount of R123 776, was subsequently paid to NJMPF in the 2013/2014 financial year.	135 341	-
The Municipality is defending a case made by Dumezweni Accountants CC in respect of debt/liquidated demand, which arose in November 2011. The amount of the claim is R100 000.	100 000	-
The Municipality is defending a claim against SS Hlongwane being for the removal of fencing around the Plaintiff's farm. The amount of the claim is R100 000.	100 000	-
	335 341	**-**

32. Unauthorised, Irregular, Fruitless and Wasteful expenditure

32.1 Unauthorised expenditure

	2013 R	2012 R
Reconciliation of unauthorised expenditure:		
Opening balance	370 636	-
Contracts	-	43 914
Tender	-	193 953
Quotation	-	132 769
Approved / condoned by Council	(370 636)	
To be condoned by Council	**-**	**370 636**

Incidents - 2011/12

Contracts & Tender

This relates to expenditure incurred that exceeded the budgeted amount and SCM processes not followed for suppliers who were not registered on the suppliers database.

Quotations

This relates to burial assistance to indigent and contributions towards Councillor's funeral.

Incidents - 2012/13

There was no unauthorised expenditure in the 2012/2013 financial year.

Unauthorised expenditure in the amount of R370 636 relating to the 2011/2012 period was approved by Council on 27 June 2013.

	2013 R	2012 R

32. Unauthorised, Irregular, Fruitless and Wasteful expenditure (continued)

32.2 Fruitless and wasteful expenditure

	2013 R	2012 R
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	30 290	-
Fruitless and wasteful expenditure for the current year	7 829	30 290
Quotation	-	15 743
Organ of state	7 829	14 547
Approved / condoned by Council	(38 119)	-
To be condoned by Council	**-**	**30 290**

Incidents - 2011/12

Quotations

This relates to furniture paid for but never received, interview S&T claim where interview did not take place and refunding S&T for interview attendees.

Organ of state

This relates to interest paid as a result of the Municipality paying suppliers late.

Incidents - 2012/13

Organ of state

This relates to interest paid as a result of the Municipality paying suppliers late.

Fruitless and wasteful expenditure was condoned by Council on 27 June 2013.

32.3 Irregular expenditure

	2013 R	2012 R
Reconciliation of irregular expenditure:		
Opening balance	19 662 921	78 595
Irregular expenditure for the current year	5 859 459	22 675 397
Contracts	2 787 576	2 451 301
Tender	1 647 007	2 632 471
Quotation	140 348	3 212 554
In the service of the state	1 284 528	557 222
Forensic investigation	-	13 821 849
Approved / condoned	(11 700 531)	(3 091 071)
To be condoned	**13 821 849**	**19 662 921**

Incident - 2011/12

Contracts

This relates to expenditure in the amount of R1 038 404 relating to the office building incurred in contravention of section 33 (1) of the MFMA. Possible irregular expenditure in the amount of R9 944 952 may be incurred in future years if the lease cannot be cancelled.

The other expenditure relates to contract management.

Tender

This relates to expenditure that was incurred where the contract was extended without following the correct process and expenditure incurred where SCM processes were not followed.

Quotation / Orders

This relates to expenditure in the amount of R582 428 that was incurred where less than three were quotations obtained and expenditure in the amount of R2 630 126 relating to orders between R30 000 and R200 000 that was incurred without applying the 80/20 preference point system.

In the service of the state

This relates to payments were made to suppliers who are in the service of the state.

	2013	2012
	R	R

32. Unauthorised, Irregular, Fruitless and Wasteful expenditure (continued)

32.3 Irregular expenditure (continued)

Incident - 2011/12 (continued)

Forensic investigation

As a result of expenditure incurred prior to 2010/2011 in the amount of R12 710 022 not being supported by documentation, an investigation was instituted by the Municipality (led by the Adminstrator) as there was a clear indication of fraud relating to the disappearance of documentation. The scope of the investigation is broader than the amount above and covers expenditure for 2007/2008, 2008/2009 and 2009/2010. During the 2011/2012 financial year reports were released by the forensic investigation confirming irregular expenditure in the amount of R13 821 949 and criminal cases have to be reported to the SAPS regarding this. The investigation is ongoing.

Action
Irregular expenditure will be condoned by Council and the forensic investigation continues.

Incidents - 2012/13

Contracts

This relates to expenditure in the amount of R2 787 576 relating to the inappropriate extension of contracts (e.g. of such contracts include: rental of office building, Security services and advertsing).

Quotation

This relates to expenditure that was incurred without obtaining three quotations.

In the service of the state

This relates to payments that were made to suppliers who are in the service of the state.

Tender

This relates to expenditure that was incurred where the contract was extended without following the correct process and expenditure incurred where SCM processes were not followed.

Action

Irregular expenditure in the amount of R8 033 294 was approved by Council on 27 June 2013, except for the forensic investigation brought forward from the prior year in the amount of R13 821 849. Until the investigation has been completed by the South African Police Service, Council is not able to condone the closing balance.

Investigations in progress

The forensic investigation regarding the missing documents in respect of the 2007/2008, 2008/2009 and 2009/2010 financial periods continues. The reports that have been concluded have been reported to the South African Police Services an included in irregular expenditure in note 32.3.

For the current year the municipality is also investigating an alleged misappropriation of receipts to an estimated amount of R14 811.

	2013 R	2012 R

33. Additional disclosure in terms of Municipal Finance Management Act (Act no. 56 of 2003)

33.1 Audit fees

	2013 R	2012 R
Opening balance	5 886	20 742
Current year fee	1 118 669	807 674
Amount paid - current year	(1 048 179)	(822 530)
Balance unpaid (included in trade payables)	**76 376**	**5 886**

33.2 PAYE and UIF

	2013 R	2012 R
Opening balance	-	-
Current year fee	3 719 844	3 020 912
Amount paid - current year	(3 719 844)	(3 020 912)
Balance unpaid (included in trade payables)	**-**	**-**

33.3 Pension and Medical Aid Deductions

	2013 R	2012 R
Opening balance	-	-
Current year subscription	2 353 407	2 451 829
Amount paid - current year	(2 353 407)	(2 451 829)
	-	**-**

33.4 VAT

	2013 R	2012 R
VAT received	**5 716 644**	**3 703 132**

VAT output payables and VAT input receivables are shown in note 10.
All VAT returns have been submitted by the due date throughout the year.

33.5 Councillors' arrear consumer accounts

No Councillor's were in arrears as at 30 June 2013 (2012: Nil)

33.6 Supply chain management regulations

	2013 R	2012 R
In terms of regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy has been approved/condoned by the Municipal Manager and noted by the Council.	**15 512 330**	**992 355**

In terms of regulation 45 of the Municipal Supply Chain Management Regulations, the notes to the annual financial statements of a municipality must disclose particulars of any awardof more than R2000 to a person who is a spouse, child or parent of a person in teh service of the state, or has been in the service of the state in the previous 12 months.

The municipality is currently limited to the issuing declaration forms (MBD4) and does not have a system/national database to identify such suppliers.

An award was made to Megazone 159cc which is owned by a spouse of a person in the service of the state

Name of the person in the service of the state	Robyn Elizabeth Mare-Smit	
Capacity in which the person is in the service of the state	Enrolled Nurse - Public Health	
Amount of the award	**6 065**	**16 049**

	2013 R	2012 R

34. Financial risk management

Financial Risk Management Objectives

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

34.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.
Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

	2013	2012
Cash and Cash Equivalents	78 828 900	64 827 806
Trade and other receivables	8 671 598	6 103 006
Maximum Credit Exposure	**87 500 498**	**70 930 812**

34.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Unspent Grants are cash backed. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2013	2012
Trade and other payables	5 431 562	5 638 344
Other: Lease obligations	3 789 006	3 448 118
Maximum Liquidity Exposure	**9 220 568**	**9 086 462**

34.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.
At year end, financial instruments exposed to interest rate risk were as follows:

	2013	2012
Bank Balances and Cash	78 828 900	64 827 806
Maximum Interest Exposure	**78 828 900**	**64 827 806**

34.4 Other price risk

Due to legislative restrictions, the municipality does not trade these investments.

35. Related party transactions

There are no related party transactions for the current and prior year.

36. Events after reporting date

The following significant events were identified after the reporting date that requires disclosure in the financial statements for the year ended 30 June 2013:

Clinic

The Clinic staff were transferred to the Department of Health with effective from 1 July 2012, however the transfer of the property, plant and equipment only took place in July 2013.

Development Agency

The Municipality is in the process of establishing a Development Agency. The agency will assist with the Catalytic LED projects, attracting investors into the area and developing a marketing strategy for Okhahlamba's World Heritage Site.

This was disclosed in the prior year however no significant progress has been made in the current year.

OKHAHLAMBA LOCAL MUNICIPALITY
APPENDIX A - SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2013

	Redeemable	Balance at 30/06/2012 (Restated)	Received during the year	Redeemed or written off during the year	Amount settled by Xerox for replaced machine	Balance at 30/06/2013
External Loans						
Annuity Loan						
Winterton Farmers asscociation	2014	9 450	-	(9 450)		-
Lease liability						
Vehicles @ 14.5%	2014	3 326 100	-	(2 097 369)		1 228 731
Photocopiers	2013 - 2014	938 146	670 383	(616 982)	(42 687)	948 860
Plant and Machinery	2013 - 2018	-	5 586 103	-	-	5 586 103
		4 264 246	**6 256 486**	**(2 714 351)**	**(42 687)**	**7 763 694**
TOTAL		**4 273 696**	**6 256 486**	**(2 723 801)**	**(42 687)**	**7 763 694**

OKHAHLAMBA LOCAL MUNICIPALITY
APPENDIX B - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2013

	Cost								Accumulated Depreciation					Accumulated Impairment					
	Opening Balance R	Additions R	Newly identified assets at fair value R	Donated assets	AUC Released R	Transferred to Assets held for sale	Disposals R	Closing Balance R	Opening Balance R	Depreciation R	Transferred to Assets held for sale	Disposals R	Closing Balance R	Opening Balance R	Impairment loss/(reversal) R	Transferred to Aseets held for sale R	Disposal R	Closing Balance R	Carrying Value R
Land	**1 851 112**	**500 000**	-	-	-	-	**(38 244)**	**2 312 868**	-	-	-	-	-	-	-	-	-	-	**2 312 868**
Buildings																			
Buildings - Dwelling	911 933	-	-	-	-	-	-	911 933	(288 483)	(1 515)	-	-	(289 998)	(531 270)	-	-	-	(531 270)	90 665
Buildings - Non residential dwellings	21 998 601	-	-	-	10 593 596	-	-	32 592 197	(4 044 826)	(647 167)	-	-	(4 691 993)	(2 864 730)	-	-	-	(2 864 730)	25 035 474
Assets under contruction	4 964 360	8 120 992	-	-	(9 033 666)	-	-	4 051 686	-	-	-	-	-	-	-	-	-	-	4 051 686
	27 874 894	**8 120 992**	**-**	**-**	**1 559 930**	**-**	**-**	**37 555 816**	**(4 333 309)**	**(648 682)**	**-**	**-**	**(4 981 991)**	**(3 396 000)**	-	-	-	**(3 396 000)**	**29 177 825**
Infrastructure																			
Roads	44 485 791	-	-	-	23 834 750	-	(3 725 655)	64 594 886	(6 190 518)	(1 228 196)	-	906 446	(6 512 268)	(8 596 728)	(1 103 833)		685 125	(9 015 436)	49 067 182
Solid Waste Disposal	1 851 143	-	-	-	-	-	-	1 851 143	(708 012)	(353 351)		-	(1 061 363)	(2 785)	-	-	-	(2 785)	786 995
Cemeteries	30 548	-	-	-	-	-	-	30 548	(9 219)	(992)		-	(10 211)	(359)		-	-	(359)	19 978
Assets under construction	5 700 399	24 993 205	-	-	(25 394 679)	-	-	5 298 925	-	-	-	-	-	-	-	-	-	-	5 298 925
	52 067 881	**24 993 205**	**-**	**-**	**(1 559 929)**	**-**	**(3 725 655)**	**71 775 502**	**(6 907 749)**	**(1 582 539)**	**-**	**906 446**	**(7 583 842)**	**(8 599 872)**	**(1 103 833)**	**-**	**685 125**	**(9 018 580)**	**55 173 080**
Other Assets																			
Furniture and Office equipment	1 477 805	715 943	25 497	18 501	-	(60 189)	-	2 177 557	(555 855)	(215 029)	33 110	-	(737 774)	(30 556)	(9 539)	1 882	-	(38 213)	1 401 570
Computer Equipment	1 831 265	321 790	57 710	42 446	-	(11 771)	-	2 241 440	(1 059 289)	(229 389)	4 790	-	(1 283 888)	(67 897)	(1 796)	250	-	(69 443)	888 109
Machinery and Equipment	2 000 384	439 409	29 235	1 105	-	(70 582)	(1 025 867)	1 373 684	(720 990)	(106 439)	10 823	220 713	(595 893)	(777 068)	-	5 992	682 163	(88 913)	688 878
Leased assets	9 252 290	5 540 625	-	-	-	-	(94 944)	14 697 971	(5 024 792)	(1 127 276)	-	42 284	(6 109 784)	-	-	-	-	-	8 588 187
Motor vehicles	2 182 006	-	-	-	-	-	(488 216)	1 693 790	(1 313 206)	(77 998)	-	355 968	(1 035 236)	(148 095)	-	-	71 966	(76 129)	582 425
	16 743 750	**7 017 767**	**112 442**	**62 052**	**-**	**(142 542)**	**(1 609 027)**	**22 184 442**	**- (8 674 132)**	**(1 756 131)**	**48 723**	**618 965**	**(9 762 575)**	**- (1 023 616)**	**(11 335)**	**8 124**	**754 129**	**(272 698)**	**12 149 169**
Total	**98 537 637**	**40 631 964**	**112 442**	**62 052**	**-**	**(142 542)**	**(5 372 926)**	**133 828 628**	**- (19 915 190)**	**(3 987 352)**	**48 723**	**1 525 411**	**(22 328 408)**	**- (13 019 488)**	**(1 115 168)**	**8 124**	**1 439 254**	**(12 687 278)**	**98 812 942**

OKHAHLAMBA LOCAL MUNICIPALITY
APPENDIX C - SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost / Revaluation					Accumulated Depreciation					Accumulated Impairment					
	Opening Balance R	Additions R	Transferred to assets held for sale R	Disposals R	Closing Balance R	Opening Balance R	Depreciation R	Transferred to assets held for sale R	Disposal R	Closing Balance R	Opening balance R	Impairment loss/ (reversal) R	Transferred to aseets held for sale R	Disposal R	Closing Balance R	Carrying value R
Council General	38 609 412	30 585 036	-	(38 244)	69 156 204	(5 164 512)	(1 562 130)	-	-	(6 726 642)	(3 399 268)	-	-	-	(3 399 268)	59 030 294
L.E.D.	8 964	12 835	-	-	21 799	(5 628)	(1 518)	-	-	(7 146)	-	-	-	-	-	14 653
Municipal Manager	308 065	116 824	-	-	424 889	(176 079)	(42 012)	-	-	(218 091)	(321)	-	-	-	(321)	206 477
Corporate Services	12 206 835	5 960 929	-	(1 609 027)	16 558 737	(6 232 251)	(1 165 844)	-	618 965	(6 779 130)	(886 136)	-	-	754 129	(132 007)	9 647 600
Financial Services	1 882 076	518 951	-	-	2 401 027	(967 189)	(298 659)	-	-	(1 265 848)	(21 173)	(1 687)	-	-	(22 860)	1 112 319
Tourism	18 656	-	-	-	18 656	(11 914)	(882)	-	-	(12 796)	(3 497)	-	-	-	(3 497)	2 363
Library: Bergville	213 482	74 131	-	-	287 613	(103 047)	(32 144)	-	-	(135 191)	(654)	(206)	-	-	(860)	151 562
Museum: Winterton	28 702	-	-	-	28 702	(2 284)	(4 622)	-	-	(6 906)	-	-	-	-	-	21 796
Public Health: Bergville	153 505	138	(142 541)	-	11 102	(52 590)	(1 513)	48 723		(5 380)	(8 680)	-	8 124	-	(556)	5 166
Social Services	299 340	108 803	-	-	408 143	(104 796)	(40 638)	-	-	(145 434)	(29 210)	(4 025)	-	-	(33 235)	229 474
Traffic: Okhahlamba	359 195	9 754	-	-	368 949	(274 203)	(11 237)	-		(285 440)	(4 128)	-	-	-	(4 128)	79 381
Sport & Recreation	7 200	-	-	-	7 200	(5 113)	(695)	-		(5 808)	-	-	-	-	-	1 392
Technical Services	43 610 950	3 196 281	-	(3 725 655)	43 081 576	(6 753 458)	(804 939)	-	906 446	(6 651 951)	(8 632 794)	(1 109 250)	-	685 125	(9 056 919)	27 372 706
Housing Development	831 258	222 774	-	-	1 054 032	(62 123)	(20 518)	-	-	(82 641)	(33 627)	-	-	-	(33 627)	937 764
Total	**98 537 640**	**40 806 456**	**(142 541)**	**(5 372 926)**	**133 828 629**	**(19 915 187)**	**(3 987 351)**	**48 723**	**1 525 411**	**(22 328 404)**	**(13 019 488)**	**(1 115 168)**	**8 124**	**1 439 254**	**(12 687 278)**	**98 812 947**

OKHAHLAMBA LOCAL MUNICIPALITY
APPENDIX D DISCLOSURE OF GRANTS IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Unspent portion 2011/2012 financial statements	Adjustments and Transfers	Quarterly Receipts July to Sept 1	Oct to Dec 2	Jan to Mar 3	April to June 4	Total Receipts	Quarterly Expenditure July to Sept 1	Oct to Dec 2	Jan to Mar 3	April to June 4	Total Expenditure	Unspent portion 2011/2012 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
Operating Grants																	
Equitable share	-		62 494 000				62 494 000		-	(62 494 000)		(62 494 000)	-	NO	N/A	YES	N/A
Finance Management Grant	167 179		1 500 000				1 500 000	(1 667 179)				(1 667 179)	-	NO	N/A	YES	N/A
Performance Management System Grant	1 500						-				(1 500)	(1 500)	-	NO	N/A	YES	N/A
Mutli Purpose Community Centre (MPCC)	615 549						-	-			(462 972)	(462 972)	152 577	NO	N/A	YES	N/A
Grant - GIJIMA KZN-base line study	46 438						-					-	46 438	NO	N/A	YES	N/A
Grant - MSIG	188 441		800 000				800 000		(988 441)			(988 441)	-	NO	N/A	YES	N/A
Grant - Spatial Planning	32 848						-					-	32 848	NO	N/A	YES	N/A
Capital Grants	-						-					-	-	NO	N/A	YES	N/A
Municipal Infrastructure Grant (MIG)	11 821 600	(9 500 000)	16 654 000	5 527 000	1 052 000		23 233 000				(25 554 600)	(25 554 600)		YES	underspending of prior year amounts	YES	N/A
Grant - Refuse Disposal Site	1 212 765						-			(154 094)		(154 094)	1 058 671	NO	N/A	YES	N/A
Grant - Cemetery	68 692						-			(68 692)		(68 692)	-	NO	N/A	YES	N/A
Grant - Integrated Development Plan	752						-				(752)	(752)	-	NO	N/A	YES	N/A
Small Town Rehabiliation	2 788 367			10 900 000			10 900 000		(4 630 284)			(4 630 284)	9 058 083	NO	N/A	YES	N/A
Pound	1 000 000						-				(856 245)	(856 245)	143 755	NO	N/A	YES	N/A
Disaster relief	-					1 860 800	1 860 800					-	1 860 800	NO	N/A	YES	N/A
Department of Sports & Recreation	-		150 000				150 000					-	150 000	NO	N/A	YES	N/A
NER - Electrification of households	7 263 443						-		(3 692 142)			(3 692 142)	3 571 301	NO	N/A	YES	N/A
Housing Projects	10 136 551						-					-	10 136 551	NO	N/A	YES	N/A
	35 344 125	**(9 500 000)**	**81 598 000**	**16 427 000**	**1 052 000**	**1 860 800**	**100 937 800**	**(1 667 179)**	**(9 310 867)**	**(62 716 786)**	**(26 876 069)**	**(100 570 901)**	**26 211 024**				

Unspent grants at 30 June 2012 - Note 8 **35 344 125**
35 344 125

Unspent grants at 30 June 2013 - Note 8 **26 211 024**
26 211 024